



Financial Funds and Basis of Accounting

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

- The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.
- The *capital borrowing fund* is a capital project fund used to account for the Town's annual capital appropriations that are budgeted to be financed through long-term borrowing.
- The non-major governmental funds consist of special revenue, other capital projects, and permanent funds that are aggregated and presented in the *non-major governmental funds* column on the governmental funds financial statements.

The following describes the general use of these fund types:

- The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.
- The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.
- The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

**Financial Funds and Basis of Accounting (cont.)**

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following major proprietary funds are reported:

- The *water and sewer enterprise fund* is used to account for the water and sewer activities.
- The *youth services enterprise fund* is used to account for the youth services activities.
- The *council on aging enterprise fund* is used to account for the council on aging activities.
- The *Ed Burns Arena enterprise fund* is used to account for the rink activities.
- The *recreation enterprise fund* is used to account for the recreation activities.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

- The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.
- The *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future other postemployment benefits (OPEB) liabilities.
- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund, other postemployment benefit trust, or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *agency fund* is used to account for assets held in a purely custodial capacity.

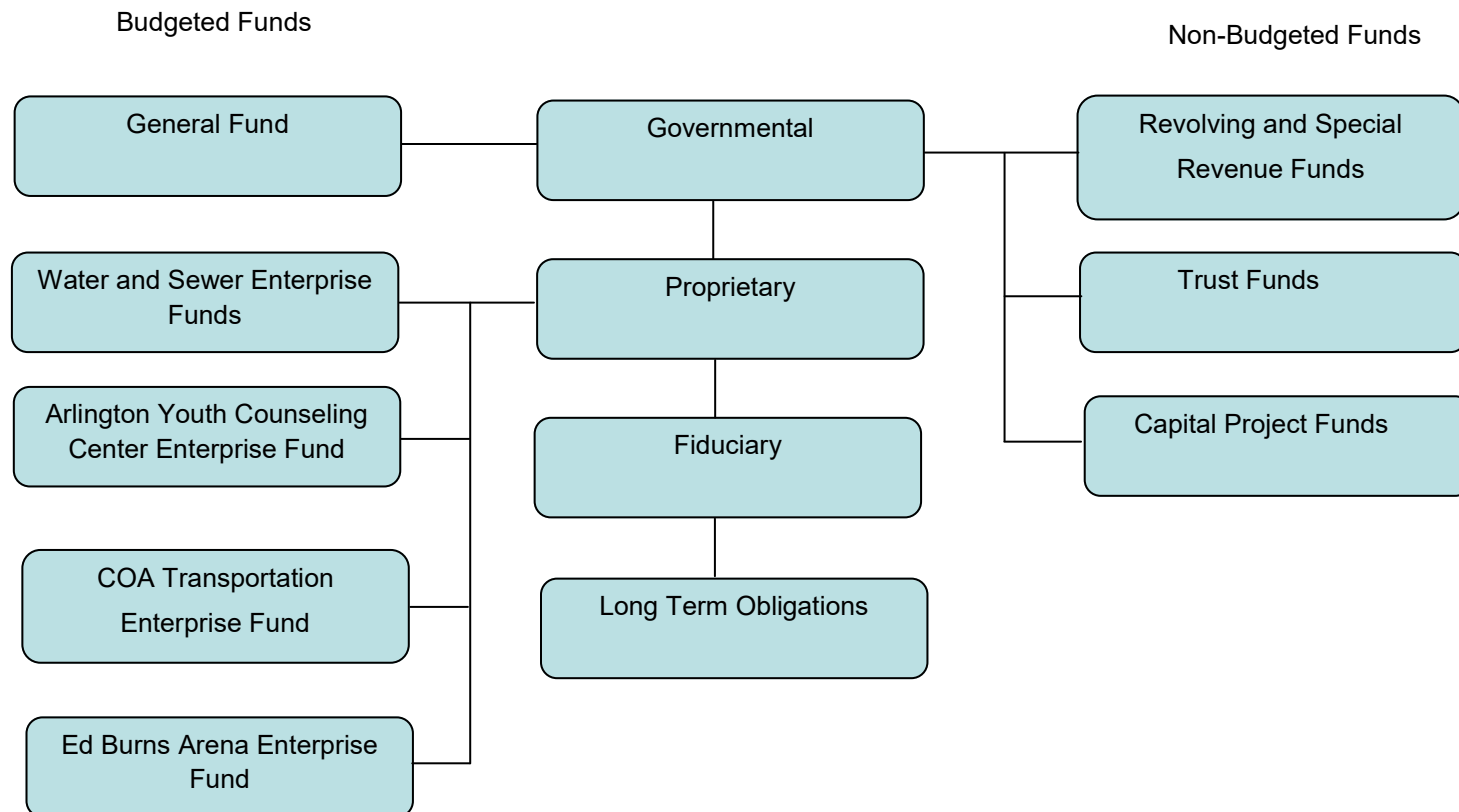
**Financial Funds and Basis of Accounting (cont.)**

An annual budget is adopted for the Town's General and Enterprise Funds. The Town's annual budget is adopted on a statutory basis, specific to the Commonwealth of Massachusetts, and it differs in some respects from Generally Accepted Accounting Principles (GAAP). The major differences between the budget and GAAP basis are that:

1. Budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP).
2. For the budget, encumbrances are treated as expenditures in the year the commitment is made. Also, certain appropriations do not lapse and are treated as budgetary expenditures in the year they are authorized as opposed to when the liability is actually incurred (GAAP).
3. The depreciation of Fixed Assets is not recognized as a current expense on a budgetary basis, except to the extent that actual maintenance costs are included in departmental budgets.



All Funds





Overall Budget Summary

| | General Fund | Water and Sewer | Recreation | Rink | AYCC | COA Transport | Total Funds |
|---|-----------------------|----------------------|---------------------|-------------------|-------------------|-------------------|-----------------------|
| Revenue | | | | | | | |
| Property Tax | \$ 138,039,612 | | | | | | \$ 138,039,612 |
| Local Receipts/Fees | \$ 9,971,000 | \$ 19,265,724 | \$ 1,834,203 | \$ 606,364 | \$ 707,839 | \$ 74,900 | \$ 32,460,030 |
| State Aid | \$ 24,756,821 | | | | | | \$ 24,756,821 |
| School Construction Aid | \$ 476,523 | | | | | | \$ 476,523 |
| Free Cash/Fund Balance | \$ 5,901,388 | \$ - | \$ 100,000 | \$ 14,000 | | \$ 15,053 | \$ 6,030,441 |
| Other Funds | \$ 200,000 | | | | | | \$ 200,000 |
| Override Stabilization Fund | \$ - | | | | | | |
| Transfers in (Offsets) | \$ 2,642,197 | \$ 3,691,454 | | | \$ 120,000 | \$ 50,000 | \$ 6,503,651 |
| TOTAL REVENUES | \$ 181,987,541 | \$ 22,957,178 | \$ 1,934,203 | \$ 620,364 | \$ 827,839 | \$ 139,953 | \$ 208,467,078 |
| Expenditures | | | | | | | |
| Salaries | \$ 29,465,515 | \$ 2,534,167 | \$ 870,342 | \$ 277,859 | \$ 532,139 | \$ 120,953 | \$ 33,800,975 |
| Expenses | \$ 11,312,375 | \$ 882,055 | \$ 998,700 | \$ 249,019 | \$ 295,700 | \$ 19,000 | \$ 13,756,849 |
| Arlington School Department | \$ 76,030,531 | | | | | | \$ 76,030,531 |
| Minuteman Regional High School | \$ 6,113,371 | | | | | | \$ 6,113,371 |
| Non-Departmental (Healthcare & Pensions) | \$ 30,780,027 | \$ 1,909,470 | \$ 65,161 | \$ 34,605 | | | \$ 32,789,263 |
| Capital (Includes Debt Service) | \$ 16,280,134 | \$ 2,027,695 | | \$ 58,881 | | | \$ 18,366,710 |
| MWRA Debt Shift/Transfers to Other Funds | \$ 3,691,454 | \$ 15,603,791 | | | | | \$ 19,295,245 |
| Warrant Articles | \$ 1,143,499 | | | | | | \$ 1,143,499 |
| Reserve Fund & Elections | \$ 1,726,724 | | | | | | \$ 1,726,724 |
| Override Stabilization Fund Deposit | \$ 561,040 | | | | | | \$ 561,040 |
| TOTAL EXPENDITURES | \$ 177,104,670 | \$ 22,957,178 | \$ 1,934,203 | \$ 620,364 | \$ 827,839 | \$ 139,953 | \$ 203,584,207 |
| Non-Appropriated Expenses | \$ 4,882,871 | | | | | | \$ 4,882,871 |
| State Assessment, Library Direct Aid, Overlay | | | | | | | |
| TOTAL EXPENSES | \$ 181,987,541 | \$ 22,957,178 | \$ 1,934,203 | \$ 620,364 | \$ 827,839 | \$ 139,953 | \$ 208,467,078 |
| Surplus / (Deficit) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

**Fund Balances**

The Town defines a **fund balance** as the difference between assets and liabilities reported in a government fund. This is also known as fund equity. The Town classifies the funds as follows: General Fund, Enterprise Funds, Reserve Funds and Revolving Funds.

General Fund – The fund used to account for most financial resources and activities governed by the normal Town Meeting appropriation process.

Free Cash – “Free Cash” is a revenue source that results from the calculation, as of July 1, of a community’s remaining, unrestricted funds from operations of the previous fiscal year, based on the balance sheet as of June 30. It typically includes actual receipts in excess of revenue estimates and unspent amounts in departmental budget line-items for the year just ending, plus unexpended free cash from the previous year. Consistent with current practice, the Town appropriates up to 50% of its Free Cash balance from the prior year to as an operating revenue.

Enterprise Fund – An enterprise fund, authorized by MGL Ch. 44 Sec. 53F ½ is a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. It allows a community to demonstrate to the public the portion of total costs of a service that is recovered user charges and the portion that is subsidized by the tax levy, if any.

Revolving Fund – A revolving fund allows a community to raise revenues from a specific service and use those revenues without appropriation to support the service. For department revolving funds, MGL Ch. 44 Sec. 53E ½ stipulates that each fund must be reauthorized each year at annual Town Meeting and that a limit on the total amount that may be spent from each fund must be established at that time.

Urban Renewal Fund – An urban renewal fund is a fund set up to help a community meet the planning and implementation costs of urban revitalization and development projects.



Reserve Fund – An amount set aside annually within the budget of a town to provide a funding source for extraordinary or unforeseen expenditures. In a town, the finance committee can authorize transfers from this fund for “extraordinary or unforeseen” expenditures. Other uses of the fund require budgetary transfers by Town Meeting.

Tip Fee Stabilization Fund – The Town of Arlington participated in a regional solid waste consortium, the North East Solid Waste Committee. Upon leaving the consortium in September of 2005, the Town was entitled to revenue derived from the regional agreement. Since then, the Town uses funds from the Tip Fee Stabilization Fund to offset solid waste disposal costs. The Town appropriated \$164,000 from the fund in FY2014 depleting its balance.

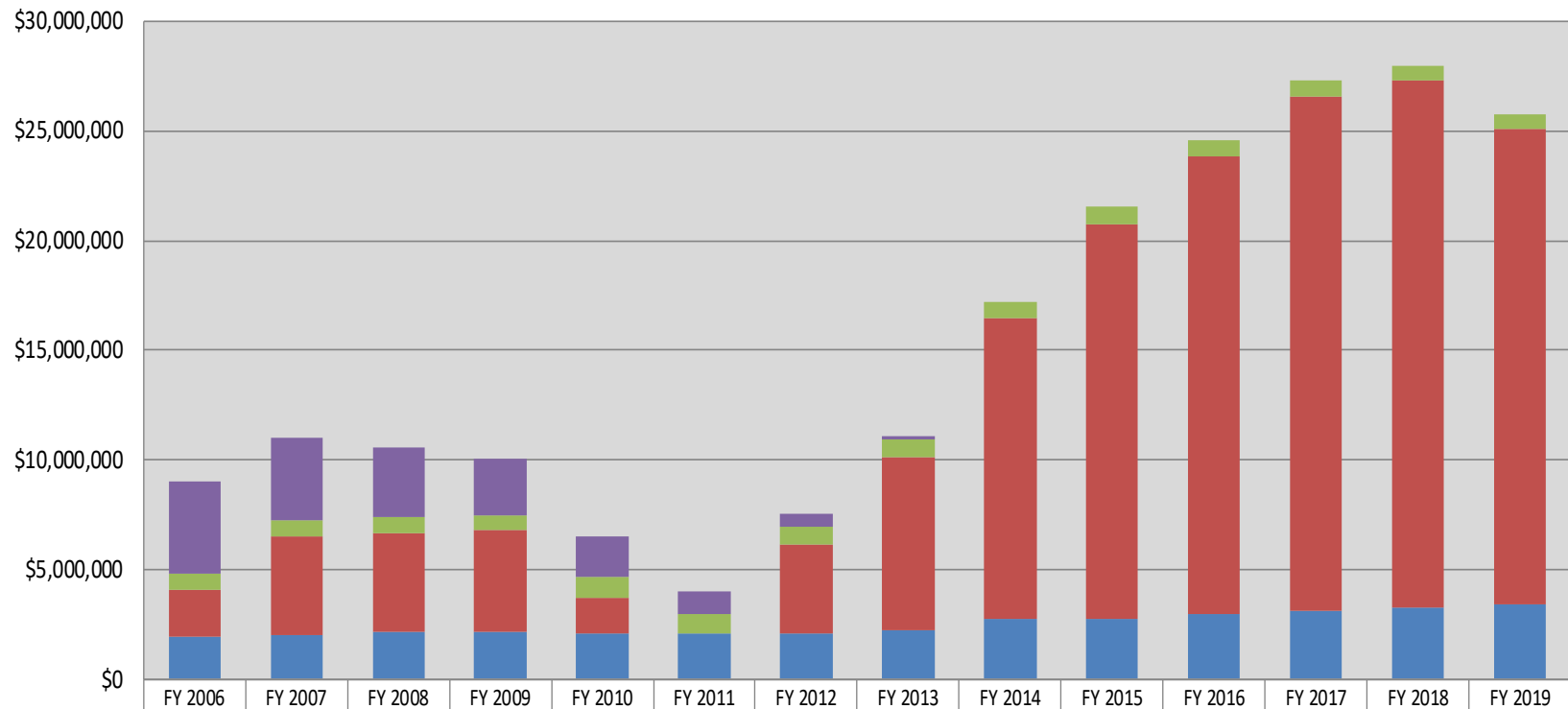
Municipal Buildings Trust Fund – In accordance with Massachusetts General Law, Chapter 40, Section 13, the Town established a Municipal Buildings Trust Fund for the purposes of offsetting the costs associated with significant property loss.

Override Stabilization Fund – The Override Stabilization Fund was created as a result of the 2005 Proposition 2 1/2 override. The Town makes annual appropriations to the fund until the time in which it is necessary to make withdrawals for the purposes of balancing the general fund budget. As the graph illustrates on page 212, the first appropriation to the fund was in FY2006 after the passage of an operating override and was depleted in FY2011. The Town passed an override leading into FY2012, which explains the increase of \$3,993,618 that year and a \$5.5 million override in June 2019, which is projected to keep the Town’s budget balanced until FY2024.

Long Term Stabilization Fund – In accordance with Massachusetts General Law, Chapter 40, Section 5B, the Town may appropriate in any year an amount not exceeding, in the aggregate, 10% of the amount raised in the preceding fiscal year’s tax levy. The Town may appropriate funds from the Long Term Stabilization Fund for any lawful purpose with a two-thirds vote of Town Meeting.



Reserve Fund Balances (end of year)





Revolving Fund Balances

| | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 |
|--------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|------------------|--------------------|
| Ambulance/Life Support | \$109,742 | \$264,069 | \$376,291 | \$446,194 | \$396,176 | \$256,610 | \$298,672 | \$405,815 | \$547,148 | \$628,306 | \$687,553 | \$493,507 | \$525,833 |
| Board of Health | \$38,162 | \$41,927 | \$45,106 | \$79,163 | \$91,253 | \$103,800 | \$86,284 | \$65,529 | \$56,720 | \$104,466 | \$113,619 | \$137,142 | \$151,784 |
| Conservation Commission | \$2,937 | \$2,937 | \$2,847 | \$2,897 | \$2,907 | \$3,221 | \$3,312 | \$2,742 | \$2,742 | \$2,710 | \$2,623 | \$2,623 | \$1,523 |
| Council on Aging Program | | | | | | | | \$4,320 | \$4,571 | \$9,974 | \$22,263 | \$29,156 | \$30,081 |
| Field User Fees | \$10,769 | \$76,974 | \$52,865 | \$88,845 | \$62,975 | \$49,757 | \$72,820 | \$63,849 | \$23,390 | \$36,126 | \$48,065 | \$31,570 | \$72,800 |
| Fox Library | \$8,978 | \$12,347 | \$14,241 | \$13,463 | \$16,523 | \$17,891 | \$13,690 | \$15,068 | \$16,773 | \$3,780 | \$3,857 | \$1,345 | \$1,345 |
| Gibbs School Energy | | | | | | \$25,688 | \$27,730 | \$36,459 | \$34,171 | \$28,078 | \$26,468 | \$8,402 | \$10,925 |
| Library PC Vendor | | | | \$6,971 | \$12,711 | \$13,361 | \$14,315 | \$4,873 | \$4,745 | \$8,420 | \$9,661 | \$11,068 | \$7,042 |
| Private Way Repair | \$24,148 | \$37,396 | \$13,305 | \$13,305 | \$13,305 | \$1,305 | \$13,305 | \$50,858 | \$87,715 | \$118,526 | \$85,767 | \$59,606 | \$93,000 |
| Public Way Repair | \$1,559 | \$1,559 | \$168 | \$168 | \$168 | \$168 | \$168 | \$168 | \$168 | \$168 | \$15,255 | \$14,715 | \$14,715 |
| Robbins House Rental | | | (\$4,117) | \$19,927 | \$22,958 | \$33,938 | \$35,312 | \$31,893 | \$19,093 | \$13,027 | \$17,641 | \$7,865 | \$12,160 |
| Robbins Library Rental | | | \$6,492 | \$9,187 | \$11,658 | \$17,892 | \$16,751 | \$21,696 | \$26,586 | \$24,451 | \$24,414 | \$29,409 | \$34,930 |
| Town Hall Rental | \$2,275 | \$6,989 | \$3,456 | \$8,601 | \$29,904 | \$42,735 | \$22,163 | \$14,534 | \$70,154 | \$96,859 | \$86,999 | \$84,578 | \$106,050 |
| Uncle Sam | | | \$334 | \$334 | \$344 | \$319 | \$411 | \$1,526 | \$1,526 | \$1,526 | \$1,526 | \$1,526 | \$1,526 |
| White Good Recycling | | | | \$27,887 | \$44,369 | \$38,202 | \$16,755 | \$45,109 | \$57,406 | \$57,041 | \$59,216 | \$65,180 | \$60,137 |
| TOTAL | \$198,570 | \$444,198 | \$510,988 | \$716,942 | \$705,251 | \$604,887 | \$621,688 | \$764,439 | \$952,908 | \$1,133,458 | \$1,204,928 | \$977,692 | \$1,123,853 |

Urban Renewal Fund Balance

| | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 |
|--------------------|-----------|-----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Urban Renewal Fund | \$226,273 | \$215,906 | \$98,056 | \$249,860 | \$290,665 | \$377,193 | \$399,794 | \$400,732 | \$439,839 | \$542,262 | \$456,159 | \$341,816 | \$202,954 |



Fund Balances

| | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|
| General Fund (Free Cash) | 2,995,814 | 1,164,101 | 770,498 | 4,378,542 | 7,793,055 | 6,085,848 | 6,871,692 | 9,074,598 | 9,701,131 | 9,186,749 | 11,119,563 | 11,802,775 |
| Enterprise Funds | | | | | | | | | | | | |
| Water/Sewer Enterprise | 4,718,828 | 5,550,844 | 3,117,257 | 4,422,651 | 2,551,390 | 2,497,966 | 3,718,958 | 8,546,621 | 7,188,427 | 7,299,339 | 7,844,907 | 6,220,101 |
| Youth Enterprise | (20,345) | 53,598 | 42,184 | 50,000 | 67,661 | 45,315 | 23,474 | 23,056 | 37,349 | 44,349 | 36,214 | 53,212 |
| Council on Aging Enterprise | 30,686 | 44,318 | 50,448 | 97,152 | 112,520 | 114,489 | 132,640 | 63,211 | 80,209 | 50,658 | 66,053 | 61,707 |
| Rink Enterprise | 38,620 | 58,412 | 27,702 | 91,325 | 78,992 | 90,435 | 74,503 | 77,154 | 78,839 | 357,573 | 49,265 | 14,728 |
| Recreation Enterprise | 85,392 | 68,360 | 77,200 | 101,380 | 105,452 | 120,887 | 132,023 | 205,874 | 381,219 | 446,480 | 683,966 | 765,855 |

MAJOR & NON MAJOR FUNDS - CHANGES IN FUND BALANCE

General Fund - 0100 & 0200

Major

| Fiscal Year | Beg FB | End FB | Inc/Decr from prior FY | % Var in FB |
|-------------|--------------|--------------|------------------------|-------------|
| 2015 | \$10,380,555 | \$10,291,536 | (\$89,019) | -1% |
| 2016 | \$10,291,536 | \$13,761,217 | \$3,469,681 | 34% |
| 2017 | \$13,761,217 | \$14,783,863 | \$1,022,646 | 7% |
| 2018 | \$14,783,863 | \$16,195,243 | \$1,411,380 | 10% |
| 2019 | \$16,195,243 | \$14,795,252 | (\$1,399,991) | -9% |

The General Fund is the primary operating fund of the Town, and is used to account for all financial resources except those that are required to be accounted for in other funds.

For FY19, it is estimated that fund balance will remain consistent with FY18.

Water & Sewer Enterprise Fund - 6500

Major

| Fiscal Year | Beg FB | End FB | Inc/Decr from prior FY | % Var in FB |
|-------------|-------------|-------------|------------------------|-------------|
| 2015 | \$0 | \$8,546,621 | | |
| 2016 | \$8,546,621 | \$7,188,427 | (\$1,358,194) | -16% |
| 2017 | \$7,188,427 | \$8,102,916 | \$914,489 | 13% |
| 2018 | \$8,102,916 | \$7,844,907 | (\$258,009) | -3% |
| 2019 | \$7,844,907 | \$6,220,101 | (\$1,624,806) | -21% |

The Water and Sewer Enterprise Fund is a proprietary (enterprise) fund that is used to account for the water and sewer activities of the Town.

For FY19, it is estimated that fund balance will remain consistent with FY18.

**AYCC Enterprise Fund - 6550**

Non-Major

| Fiscal Year | Beg FB | End FB | Inc/Decr from prior FY | % Var in FB |
|-------------|----------|----------|------------------------|-------------|
| 2015 | \$23,474 | \$23,055 | (\$419) | -2% |
| 2016 | \$23,055 | \$37,349 | \$14,294 | 62% |
| 2017 | \$37,349 | \$44,349 | \$7,000 | 19% |
| 2018 | \$44,349 | \$36,214 | (\$8,135) | -18% |
| 2019 | \$36,214 | \$53,212 | \$16,998 | 47% |

The Arlington Youth Counseling Center (AYCC) is a proprietary (enterprise) fund that is used to account for the activities of the AYCC.

The undesignated fund balance in FY19 saw an increase due to an greater activity in the fund.

For FY20, it is estimated that fund balance will remain consistent with FY19.

Rink Enterprise Fund - 6570

Non-Major

| Fiscal Year | Beg FB | End FB | Inc/Decr from prior FY | % Var in FB |
|-------------|-----------|-----------|------------------------|-------------|
| 2015 | \$74,503 | \$77,154 | \$2,651 | 4% |
| 2016 | \$77,154 | \$78,839 | \$1,685 | 2% |
| 2017 | \$78,839 | \$357,573 | \$278,734 | 354% |
| 2018 | \$207,997 | \$49,265 | (\$308,308) | -86% |
| 2019 | \$49,265 | \$14,728 | (\$34,537) | -70% |

The Rink Enterprise Fund is a proprietary (enterprise) fund that is used to account for the activities of the municipal ice skating rink.

Undesignated fund balance is expected to increase in FY20, because of reclassification of debt borrowing proceeds from a

COA Transportation Enterprise Fund - 6560

Non-Major

| Fiscal Year | Beg FB | End FB | Inc/Decr from prior FY | % Var in FB |
|-------------|-----------|----------|------------------------|-------------|
| 2015 | \$132,639 | \$93,211 | (\$39,428) | -30% |
| 2016 | \$93,211 | \$80,209 | (\$13,002) | -14% |
| 2017 | \$80,209 | \$77,093 | (\$3,116) | -4% |
| 2018 | \$77,093 | \$66,053 | (\$11,040) | -14% |
| 2019 | \$66,053 | \$61,707 | (\$4,346) | -7% |

The Council on Aging (COA) Transportation Fund is a proprietary (enterprise) fund that is used to account for the activities of the COA Transportation service.

The undesignated fund balance has decreased over time due to lower than anticipated revenue collections.

For FY20, it is estimated that fund balance will remain consistent with FY19.

Recreation Enterprise Fund - 6580

Non-Major

| Fiscal Year | Beg FB | End FB | Inc/Decr from prior FY | % Var in FB |
|-------------|-----------|-----------|------------------------|-------------|
| 2015 | \$132,023 | \$205,894 | \$73,871 | 56% |
| 2016 | \$205,894 | \$381,219 | \$175,325 | 85% |
| 2017 | \$381,219 | \$446,480 | \$65,261 | 17% |
| 2018 | \$446,480 | \$683,967 | \$237,487 | 53% |
| 2019 | \$683,967 | \$765,855 | \$81,888 | 12% |

The Recreation Fund is a proprietary (enterprise) fund that is used to account for the activities of the recreation department.

Undesignated fund balance increased in FY18 due to higher than anticipated enrollment in many of the recreation programs and moving many programs from the Recreation Revolving Fund to the Enterprise Fund.

Fiscal Year 2021 Budget



Fund Information/ Town Financial Policies

Urban Renewal Fund - 2770

Non-Major

| Fiscal Year | Beg FB | End FB | Inc/Decr from prior FY | % Var in FB |
|-------------|-----------|-----------|------------------------|-------------|
| 2015 | \$340,749 | \$375,926 | \$35,177 | 10% |
| 2016 | \$375,926 | \$486,914 | \$110,988 | 30% |
| 2017 | \$486,914 | \$378,143 | (\$108,771) | -22% |
| 2018 | \$378,143 | \$263,991 | (\$114,152) | -30% |
| 2019 | \$263,991 | \$88,063 | (\$175,928) | -67% |

The Urban Renewal Fund was set up to help the Town meet the planning and implementation costs of urban revitalization and development projects.

Starting in FY19, Budget provided for rent payments for Town occupants of the Central School (HHS) to be made to the Fund to stabilize the balance.

Fiscal Stabilization Fund - 8950

Non-Major

| Fiscal Year | Beg FB | End FB | Inc/Decr from prior FY | % Var in FB |
|-------------|--------------|--------------|------------------------|-------------|
| 2015 | \$13,685,484 | \$18,000,920 | \$4,315,436 | 32% |
| 2016 | \$18,000,920 | \$20,850,650 | \$2,849,730 | 16% |
| 2017 | \$20,850,650 | \$23,481,076 | \$2,630,426 | 13% |
| 2018 | \$23,481,076 | \$24,010,774 | \$529,698 | 2% |
| 2019 | \$24,010,774 | \$21,618,539 | (\$2,392,235) | -10% |

The Fiscal Stabilization Fund (aka the "override" stabilization fund) was created in 2005 to help keep the budget stable and to avoid annual override votes. Funds are accumulated when there are excess funds, and drawn down when spending exceeds available recurring revenue sources.

For FY20, the fund is estimated to increase by \$2.2 million due to the override in the FY20 budget.

Antenna Fund - 3480

Non-Major

| Fiscal Year | Beg FB | End FB | Inc/Decr from prior FY | % Var in FB |
|-------------|-----------|-----------|------------------------|-------------|
| 2015 | \$649,776 | \$831,935 | \$182,159 | 28% |
| 2016 | \$831,935 | \$658,075 | (\$173,860) | -21% |
| 2017 | \$658,075 | \$649,256 | (\$8,819) | -1% |
| 2018 | \$649,256 | \$596,965 | (\$52,291) | -8% |
| 2019 | \$596,965 | \$570,872 | (\$26,093) | -4% |

The Antenna Fund was created by home rule petition that allows for deposits of revenue generated from rent collected on antennas placed on municipal buildings. This revenue is used to fund open space and recreation purposes.

For FY20, the fund balance is estimated to continue to decrease because of additional expenditures for capital projects.

Stabilization Fund - 8850

Non-Major

| Fiscal Year | Beg FB | End FB | Inc/Decr from prior FY | % Var in FB |
|-------------|-------------|-------------|------------------------|-------------|
| 2015 | \$2,773,759 | \$2,879,467 | | |
| 2016 | \$2,879,467 | \$2,992,020 | \$112,553 | 4% |
| 2017 | \$2,992,020 | \$3,119,606 | \$127,586 | 4% |
| 2018 | \$3,119,606 | \$3,269,090 | \$149,484 | 5% |
| 2019 | \$3,269,090 | \$3,452,628 | \$183,538 | 6% |

The Stabilization Fund is the Town's "rainy day" fund. It can be used for any lawful purpose with a two-thirds vote of Town Meeting.

For FY20, the Fund is estimated to increase by \$110,000 through Town Meeting appropriation and assumed interest earned on principal balance.

**OPEB - Retiree Healthcare Fund - 8890** Non-Major

| Fiscal Year | Beg FB | End FB | Inc/Decr from prior FY | % Var in FB |
|-------------|--------------|--------------|------------------------|-------------|
| 2015 | \$7,427,776 | \$8,377,646 | \$949,870 | 13% |
| 2016 | \$8,377,646 | \$9,184,192 | \$806,546 | 10% |
| 2017 | \$9,184,192 | \$11,201,306 | \$2,017,114 | 22% |
| 2018 | \$11,201,306 | \$12,854,012 | \$1,652,706 | 15% |
| 2019 | \$12,854,012 | \$14,521,818 | \$1,667,806 | 13% |

The OPEB fund is used to accumulate resources to provide funding for future other post-employment benefits (OPEB) liabilities.

The FY19 fund balance increased by \$1.7m due to appropriations made by Town meeting from available funds and from the Health Claims Trust Fund, as well as investment earnings. FY20 is estimated to increase by \$1.7 million due to \$900k appropriations and estimated investment income.

Health Claims Trust Fund - 8860 Non-Major

| Fiscal Year | Beg FB | End FB | Inc/Decr from prior FY | % Var in FB |
|-------------|-------------|-------------|------------------------|-------------|
| 2015 | \$3,692,046 | \$2,808,350 | (\$883,696) | -24% |
| 2016 | \$2,808,350 | \$2,528,945 | (\$279,405) | -10% |
| 2017 | \$2,528,945 | \$2,248,008 | (\$280,937) | -11% |
| 2018 | \$2,248,008 | \$1,962,756 | (\$285,252) | -13% |
| 2019 | \$1,962,756 | \$1,698,927 | (\$263,829) | -13% |

Health Claims Trust Fund is a fund that is a holdover from when the Town was self-insured. All funds are Town funds. The Town is now insured on a premium-based plan through the Commonwealth's health insurance plans.

The FY19 fund balance decreased by \$263k due to a \$300k appropriation from the fund to the OPEB fund combined with interest earnings received. FY20 also used \$300k to fund the OPEB fund, and also assumes interest income.



Town of Arlington Standing Financial Policies & Practices

Balanced Budget: The Town defines a balanced budget as a budget in which receipts are greater than (or equal to) expenditures. The Commonwealth of Massachusetts requires all municipalities to present a balanced budget each year as a basic budgetary constraint intended to ensure that a government does not spend beyond its means and its use of resources for operating purposes does not exceed available resources over a defined period of time.

Free Cash Practice: The Town of Arlington appropriates up to 50% of the prior year's Certified Free Cash Balance as an operating revenue with a majority vote of Town Meeting.

Capital Budget: The Town Manager shall present a Capital Budget equal to 5% of projected revenues. The Town has followed this practice since 1986.

Town of Arlington Historical Override Policies & Commitments

- 1) *Override funds will be made to last at least three years (FY2012-FY2014). No general override will be sought during this period. – Current projections have extended the plan to cover FY2012-FY2021.*
- 2) *If the override passes there will be no Pay As You Throw (PAYT) fee implemented in FY2012, but the placement of a ballot question regarding a revenue neutral PAYT option will be considered in FY2013. – This ballot question was not advanced due to the Town's implementation of a mandatory recycling program in FY2013 which has stabilized both hauling and waste disposal costs.*
- 3) *Town and School operating budget increases will be capped at 3.5% per year. An additional allowance of up to 7% shall be allowed for documented special education cost increases. Should actual special education cost increases exceed this amount, the remaining School budget shall be decreased by the difference. – This commitment has been maintained and this year's Town operating budget proposes a 3.25% increase. Due to continuing enrollment growth, a school funding increase above 3.5% is proposed and discussed herein.*



4) *Health care cost increases will be programmed at 7%. Should actual increases exceed this amount, the Town and School budget totals shall be proportionately decreased by the excess amount. Should actual increases be less than this amount as a result of negotiated health care savings, the extra savings will be:*

a) Deposited into the override stabilization fund to extend the three year override period;

b) Used to preserve services; and

c) To satisfy any and all negotiated items between the Town Manager, employees, and retirees. – The override period has been extended to nine years from the original three-year period based to a large degree on health care savings and the first year health care savings also supported FY2012 wage settlements with employee bargaining units. For future planning purposes, health care premiums are projected to grow at 5.25%, which more accurately reflects the historical average annual growth of Group Insurance Commission premiums.

5) *An additional \$600,000 shall be appropriated for the School Department in FY2012 and \$400,000 shall be appropriated each year in addition to the amount currently appropriated in the capital budget for road improvements. – This commitment has been met.*

6) *Reserves shall be maintained in an amount equivalent to at least 5% of the budget. – This commitment is being maintained.*

At the time the 2011 override was proposed, the Town was facing a projected deficit of \$6 million. Also at that time, the Legislature was discussing giving municipalities more authority to control their health care plans and costs. Optimistically, it was assumed that some changes would be made to allow the Town to save \$1 million. The proposed override was then set at \$6.49 million, an amount that projected to maintain current service levels for three years.

Approximately a month after the override passed, the State approved a significant health care reform law for municipalities that provided authority to make health care plan designs which matched what the State provides to its employees and also authorized municipalities to join the State's health care plan. As a result, Arlington joined the State's health care plan, the Group Insurance Commission (GIC) and has achieved significant savings which have enabled the Town to stretch the three-year plan to a nine-year plan. We are mindful of the strong desire of residents to maintain quality services and the sacrifices they made by supporting the override. We are committed to pursue all appropriate productivity improvements and cost reduction measures in order to sustain these quality services.



Balancing Community Needs with Fiscal Prudence

Balancing Community Needs with Fiscal Prudence

Beginning in the fall of 2014, the Long Range Planning Committee (LRPC) held a series of discussions focused on the future of Town and School budgets and the amount by which they should grow on an annual basis. These discussions were prompted by the desire of committee members to explore strategies that could extend the life of the current Long Range Plan (LRP) and thereby forestall the next time an operating override would need to be considered. These discussions resulted in a number of recommendations being adopted for the FY2016 budget based upon the following principles:

- 1) Exercising fiscal prudence to maintain financial stability through the success of a future operating override.
- 2) Balancing prudence with recognition of the needs and expectations of Arlington residents and building Town and School budgets accordingly.
- 3) Committing to strategically address the findings of the Comparative Compensation Study within the confines of the proposed long range planning parameters.

Based upon these principles, and the ongoing discussion of the Long Range Planning Committee, the following commitments are being maintained within the Long Range Plan:

- Health insurance premium growth is projected at 5.25% annually, mirroring the 10 year average premium growth of the GIC.
- Free Cash is assumed to be certified each year at the 10-year average certified amount.
- The rate of growth in annual pension costs is maintained at or below 5.5%.
- Annual budget growth for Town Departments is set at 3.25% for FY2018 and beyond.
- Annual budget growth for the general education portion of the School Department budget is maintained at 3.5% for FY2019 and beyond.

In addition to these commitments, the Town also maintains its commitment to addressing the financial pressures associated with Arlington's growing student enrollment. A funding formula, referred to as "Growth Factor" was first implemented in FY2015. The details of this formula and its budgetary impact are described below.